Sales Tax in Accounts Payable Invoicing

The tax code used in a direct invoice is determined by the user. Tax in AASIS invoices is calculated at point of purchase (vendor's address) when using tax code P1. Tax in AASIS invoices is calculated at point of delivery (cost center's address) when using tax code U1. P0 indicates tax-exempt.

Choosing between U1 and P1 is based on the following state tax rules: Tax is calculated at point of purchase when items are purchased from an in-state vendor or out of state vendor that is registered with Arkansas (P1). When items are purchased from an out –of-state vendor that is not registered with Arkansas, tax is calculated at point of delivery (U1).

When entering a direct invoice (without reference to a Purchase Order) in the Financial Accounting (FI) side of AASIS, AASIS uses the tax code chosen to back out the tax from the total amount entered in amount.

When entering a MIRO invoice against a Purchase Order in the Materials Management (MM) side of AASIS, AASIS checks the Purchase Order for a matching code, and considers the tax rates in place at the time the Purchase Order was created. The tax code selected in MIRO will match the tax code that appears in the Purchase Order, except in the instance where P1 was entered into the Purchase Order, but the vendor is not registered with Arkansas and is not collecting the sales tax on the invoice. In this case, the user will enter U1 in the tax code in MIRO.

Because tax rates may have been updated since Purchase Order creation, or since vendors may choose to round sales tax to a different decimal place than AASIS, AASIS users may on occasion find sales tax differences between the vendor's hardcopy invoice and AASIS's tax calculations. In order to accommodate the difference, as well as assign the difference to the actual expense, follow the directions below:

Entering Sales Tax Manually For Invoices Posted Against A Purchase Order

1. Enter the full amount (including the sales tax) of the invoice in Amount field.

2. Do **not** select the Calculate Tax check box.

3. Select tax code from drop-down that matches tax code in line items.

4. Enter the amount of sales tax to be paid in the Tax amount field.

Note: When using tax code U1 to pay a vendor that is not registered with the state and you need to assess use tax, and the invoice contains items that are taxable and non-taxable, you must create two (2) separate invoices for tax to calculate correctly. Otherwise, tax would calculate on the entire amount of the invoice.

Note: Tolerance level for invoice differences is 10% up to $100; therefore, allowing adjusting sales tax as necessary for zero balance.